

Message Text

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C O N F I D E N T I A L KINSHASA 1676

EXDIS

DEPT PASS OTHER AGENCIES AS APPROPRIATE

CAIRO FOR UNDER SECRETARY ROBINSON

E.O. 11652: GDS

TAGS: EAID, CG, US

SUBJECT: REQUEST FOR INCREASED ECONOMIC ASSISTANCE FOR ZAIRE

REF: (A) KINSHASA 1398 (B) KINSHASA 1405 (C) KINSHASA 1279

1. SUMMARY: TO SUPPORT UNDER SEC ROBINSON'S ASSURANCES TO GOZ THAT USG INTENDS TO ASSIST ZAIRE DURING THIS CRUCIAL PERIOD, EMBASSY RECOMMENDS THAT OUR ECONOMIC ASSISTANCE TO ZAIRE BE INCREASED SUBSTANTIALLY TO HELP SUPPORT ZAIRE'S OWN EFFORTS. WE URGE APPROVAL OF OUTSTANDING EXIMBANK AND SUPPORTING ASSISTANCE LOANS PRESENTLY UNDER CONSIDERATION, INCREASED ECONOMIC ASSISTANCE FOR REMAINDER OF FY76, SIGNIFICANT ECONOMIC ASSISTANCE FOR FY77, SPEEDY APPROVAL OF APPLICATION TO EXIMBANK FOR FINANCING MAJOR PORTION INGA-SHABA COST OVERRUN, EFFORTS TO OBTAIN FINANCING FOR SMTF COPPER PROJECT, REACTIVATION OF CONSULTATIVE GROUP, LONG-RANGE PLANS TO ASSIST ZAIRE IN IMPROVING THE VITAL AGRICULTURAL, HEALTH, AND TRANSPORTATION SECTORS PARTICULARLY AS IT AFFECTS AGRICULTURAL PRODUCTION. END SUMMARY.

2. AS REPORTED REF A PRESIDENT MOBUTU HAS INITIALED

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PROPOSED IMF STANDBY AND WE EXPECT WITHIN SEVERAL WEEKS

ANNOUNCEMENT OF DETAILS OF STABLIZATION PLAN WHICH ZAIRE WILL UNDERTAKE. WE UNDERSTAND THAT STABILIZATION PLAN AND IMF STANDBY WILL FOCUS ON PRESENT ACUTE BALANCE OF PAYMENTS PROBLEMS EXPECTED TO CONTINUE FOR NEXT TWO YEARS AT LEAST AND NECESSITY FOR SHORT-TERM DEBT RESCHEDULING. PLAN WILL ALSO EMPHASIZE IMPORTANCE OF INCREASING AGRICULTURAL PRODUCTION AND IMPROVEMENT OF TRANSPORTATION SECTOR. IN SUPPORT OF STABLIZATION PLAN AND IMF STANDYB, WE RECOMMEND USG TAKE FOLLOWING MEASURES WHICH WILL BE OF VITAL IMPORTANCE TO ZAIRE, PARTICULARLY AT THIS TIME OF INTERNATIONAL UNCERTAINTY AS THE WAR IN ANGOLA DRAWS TO A CLOSE. UNDER SEC ROBINSON HAS JUST FINISHED DISCUSSIONS WITH ZAIRIANS ON THE KINDS AND AMOUNTS OF U.S. ASSISTANCE THAT IS REQUIRED. OUR RECOMMENDATIONS ARE NOT MEANT TO PRE-EMPT HIS OWN THOUGHTS, BUT RATHER TO CONTRIBUTE TO THE PREPARATION OF A GOOD ASSISTANCE PROGRAM.

A. DEBT RELIEF: WE UNDERSTAND THAT IMF WILL RECOMMEND RESCHEDULING OF OVERDUE DEBTS AND PORTION OF DEBTS COMING DUE WITHIN NEXT THREE YEARS TOTALING APPROXIMATSTY \$300 MILLION. WE URGE FAVORABLE USG CONSIDERATION FOR RESCHEDULING OF ITS APPROPRIATE PROPORTION OF AMOUNT WHICH IMF RECOMMENDS.

B. IMPLENTATION OF OUTSTANDING PROPOSALS FOR ECONOMIC ASSISTANCE: WE URGE SPEEDY APPROVAL AND POSSIBLE INCREASE OF \$20 MILLION EXIMBANK LOAN AND \$20 MILLION SUPPORTING

ASSISTANCE LOAN AS BOTH WILL GIVE URGENTLY NEEDED BOP RELIEF.

C. COMPLETION OF INGA-SHABA TRANSMISSION LINE: AS REPORTED REF B WE CONSIDER COMPLETION OF INGA-SHABA TRANSMISSION LINE AS VITAL TO BOTH ECONOMY OF ZAIRE AND CONTINUATION OF GOOD RELATIONS BETWEEN U.S. AND ZAIRE. UNDER SEC ROBINSON HAS CLEAR IDEAS ON HOW THIS SHOULD BE DONE.

D. SMTF COPPER PROJECT: DURING HIS RECENT VISIT UNDER SEC ROBINSON EXPRESSED INTEREST IN THE RESTRUCTURING OF THE SMTF COPPER PROJECT SO AS TO OBTAIN NECESSARY FINANCING. WE URGE THAT THESE EFFORTS BE ACCORDED THE HIGHEST PRIORITY.

E. ADDITIONAL ECONOMIC ASSISTANCE FOR FY76: WE RECOMMEND AN ADDITIONAL \$15 MILLION CCC PROGRAM FOR THE CONFIDENTIAL

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REMAINDER OF FY76. SUCH A PROGRAM WOULD PROVIDE BADLY NEEDED BOP RELIEF AND WOULD ENABLE IMPORTATION OF ESSENTIAL AGRICULTURAL PRODUCTS. WE PROPOSE THE FOLLOWING DIVISION OF RECOMMENDED \$15 MILLION CCC SUPPLEMENTAL PROGRAM:

(1) FROZEN POULTRY	\$5. MILLION
(2) CORN	\$1.5 MILLION
(3) WHEAT	\$8 MILLION
(4) TOBACCO	\$2 MILLION

(5) COTTON \$3 MILLION

IF POSSIBLE WE URGE THAT WHEAT BE FOR THREE-YEAR CREDIT
TERMS AS OPPOSED TO ONLY ONE YEAR IN PREVIOUS CCC
AGREEMENT.

F. TRANSITIONAL QUARTER AND FY77 ECONOMIC ASSISTANCE:
DESPITE IMPLEMENTATION OF STABILIZATION PROGRAM. ZAIRE'S
ECONOMIC DIFFICULTIES WILL UNDOUBTEDLY PERSIST DURING THE
TRANSITIONAL QUARTER AND FY77. WE URGE APPROVAL OF FOLLOW-
ING ECONOMIC ASSISTANCE PACKAGE FOR ZAIRE TO ASSIST DURING
THIS CRUCIAL PERIOD.

(1) AID PROGRAM OR SUPPORTING ASSISTANCE LOAN: BOP
PROBLEMS WILL CONTINUE TO BE ACUTE DURING THIS PERIOD. WE
URGE APPROVAL OF \$80 MILLION AID PROGRAM OR SUPPORTING
ASSISTANCE LOAN TO PROVIDE FOR IMPORTATION OF ESSENTIAL
RAW MATERIALS FOR EXISTING INDUSTRY, FERTILIZER, SPARE
PARTS, MACHINERY, AND VEHICLES REQUIRED BY VITAL MINING AND
TRANSPORTATION SECTORS.

(2) EXIMBANK ASSISTANCE: WE URGE APPROVAL OF AN
ADDITIONAL \$20 MILLION EXIMBANK LOAN TO SUPPLY RAW MATERIALS,
MACHINERY, AND ESSENTIAL EQUIPMENT FOR ZAIRE'S INDUSTRY,
TRANSPORTATION, AND MINING SECTORS. WE ALSO URGE THAT
EXIMBANK APPROVE FINANCING FOR INDIVIDUAL PROJECTS WHICH
WILL CONTRIBUTE TO ZAIRE'S ECONOMY, SUCH AS THE PROPOSED
FINANCING OF THE INTER-CONTINENTAL HOTEL EXPANSION.

(3) CCC AND PL480 ASSISTANCE: WE PROPOSE A
\$72.5 MILLION CCC/PL480 PACKAGE. BECAUSE OF THE NECESSITY
TO SATISFY USUAL MARKETING REQUIREMENTS, THE BULK OF THIS
PROPOSED ASSISTANCE WOULD BE CCC CREDITS. HOWEVER, TO
THE EXTENT POSSIBLE, WE URGE THAT PL480 CREDITS BE INCREASED
AND CCC CREDITS CORRESPONDINGLY REDUCED AS PL480 CREDIT
TERMS WOULD AFFORD SIGNIFICANTLY GREATER BOP RELIEF.

(A) PROPOSED CCC CREDITS

CORN \$8 MILLION

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FROZEN POULTRY \$ 2.5 MILLION

TOBACCO \$ 6 MILLION

WHEAT \$30 MILLION

TOTAL \$46.5 MILLION

(B) PROPOSED PL480 CREDITS

RICE \$8.5 MILLION

CORN \$12.5 MILLION

COTTON \$ 5.0 MILLION

TOTAL \$26.0 MILLION

G. REACTIVATION OF CONSULTATIVE GROUP: WE URGE HIGH
PRIORITY FOR EFFORTS TO REACTIVATE CONSULTATIVE GROUP FOR
ZAIRE. IMMEDIATE ITEMS WHICH SHOULD BE CONSIDERED BY
CONSULTATIVE GROUP ARE:

(1) DEBT RESCHEDULING

(2) SHORT-TERM BOP ECONOMIC ASSISTANCE

(3) LONG-TERM DEVELOPMENT ASSISTANCE

(4) MAXIMIZATION OF ASSISTANCE FROM ALL SOURCES,
INCLUDING PRIVATE SECTOR.

THE ZAIRIANS ENCOURAGED UNDER SEC ROBINSON TO USE
AMERICAN INFLUENCE TO REACTIVATE THE CONSULTATIVE GROUP
AND TO THEN COORDINATE THE ASSISTANCE PROGRAM OF ZAIRE'S
OLD FRIENDS, IN TANDEM WITH THE IMF PROGRAM.

H. AGRICULTURAL AND TRANSPORTATION SECTORS: AS
UNDER SEC ROBINSON OBSERVED DURING HIS VISIT, IMPROVEMENT
OF THE CRITICAL AGRICULTURAL AND TRANSPORTATION SECTORS
IS VITAL FOR THE ECONOMIC DEVELOPMENT OF ZAIRE. AID IS
ALREADY DEVELOPING PLANS IN THESE FIELDS AS WELL AS
HEALTH (SEPTIL FOLLOWS). HOWEVER, NEEDS ARE SO GREAT
THAT ASSISTANCE OF INTERNATIONAL AGENCIES, CONSULTATIVE
GROUP, AND THE PRIVATE SECTOR WILL BE REQUIRED.
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